

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7050

BILL NUMBER: HB 1700

NOTE PREPARED: Jan 12, 2009

BILL AMENDED:

SUBJECT: Consolidation of Agencies.

FIRST AUTHOR: Rep. Murphy

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

Indiana Bond Bank: It transfers the powers and duties of the Indiana Bond Bank to the Indiana Finance Authority.

Indiana Tobacco Use Prevention and Cessation Executive Board: It transfers the powers and duties of the Indiana Tobacco Use Prevention and Cessation Executive Board to the Executive Board of the State Department of Health.

Indiana Education Employment Relations Board: It converts the Indiana Education Employment Relations Board to a Division of the Department of Education.

Division of State Museums and Historic Sites: It changes the organization and duties of the Division of State Museums and Historic Sites and the Division's Board of Trustees.

Department of Indiana Heritage: It establishes the Department of Indiana Heritage.

Historic Site Fund and Admission Fees: It allows the Natural Resources Commission to establish fees for admission to historic sites. It establishes the Historic Site Fund, and requires the admission fees and historic property sales to be deposited in the Historic Site Fund (instead of in the Museum Acquisition Fund). It provides that at least 51% of the fees collected from a particular historic site must be used for the educational programs conducted at the historic site and for the maintenance and operation of the historic site.

Study of the Department of Indiana Heritage: It requires the State Personnel Department and the Budget Agency to study the structure of the Department of Indiana Heritage, including whether the following entities should be transferred to the Department of Indiana Heritage:

- (1) The Division of Historic Preservation and Archeology of the Department of Natural Resources (DNR).
- (2) The DNR, Division of Museum and Historic Sites.
- (3) The Indiana Historical Bureau.
- (4) The Indiana State Library.
- (5) The Indiana War Memorials Commission.
- (6) The Indiana State Archives Program of the Commission on Public Records.
- (7) The Wabash River Heritage Corridor Commission.

The bill also makes conforming changes and repeals statutes concerning the organization and administration of the abolished entities.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Summary-* Any cost savings will depend on the efficiencies gained by the transfer of duties among the various entities. Also, costs may increase to establish a new department and for administration of new fees. Some of these increased costs may be offset by newly established fees received.

Indiana Tobacco Use Prevention and Cessation Executive Board: To the extent that the Indiana Tobacco Use Prevention and Cessation Executive Board receives a separate appropriation for the management and operation of the Board, the bill will decrease costs by transferring the Board's responsibilities to the Indiana State Department of Health (ISDH) Executive Board. However, no duties or responsibilities are diminished through this transfer, and costs from the operations of the Board may pass to the ISDH. Total appropriations to the Board for FY 2009 were \$16.2 M, with approximately \$12.4 M for grants, distributions, and subsidies, and \$3.8 M for personal services, equipment, and operations.

Indiana Education Employment Relations Board: The proposal will have indeterminate fiscal impact by making the IEER Board a division of the Department of Education. The duties and responsibilities agency do not change or diminish. In FY 2009, the appropriation for the IEER Board was \$686,586.

Division of State Museums and Historic Sites: Changes to the Division of State Museums and Historic Sites and its board's duties are expected to have minimal fiscal impact, mostly related to mileage expense. Some expenses will depend on how the new Division of the DNR implements new responsibilities and fees.

Department of Indiana Heritage: The bill will increase costs to establish the Department of Indiana Heritage (DIH) and fees at historic sites, and to study whether certain existing state entities should be transferred to the DIH. Increased costs will depend on the decisions of the State Budget Agency (SBA) and the State Personnel Department (SPD).

Background -

Division of State Museums and Historic Sites. The bill allows the director of the Division to serve

as the head of a section of the Division and that an individual may serve as the head of more than one section of the Division. This provision could change administrative expenses for the DNR. The fiscal impact will depend on how the DNR elects to implement the provision.

Board of Trustees for the Division of State Museums and Historic Sites. The bill changes the composition of the board of trustees for the Division of State Museums and Historic Sites which is comprised of 13 members. The Governor must make appointments in a manner to achieve diversity and geographic balance among the trustees. A fiscal impact would result from different reimbursements for mileage for new members who would be appointed. However, this impact is not expected to be significant.

The bill also eliminates provisions that require the trustees to nominate, when the position of division director is vacant, a person to be appointed by the DNR director to that position; to recommend the dismissal of a division director; and to make recommendations concerning the salary ranges of the administrative, professional, and technical staff of the division. It is anticipated that this provision would not result in a significant fiscal impact.

Department of Indiana Heritage. This bill establishes the DIH, which consists of the Office of the Commissioner, to promote and facilitate the preservation, enhancement, enjoyment, and educational interpretation of the varied forms of heritage and perform other educational functions. The Governor is to appoint the Commissioner, and the Commissioner is entitled to compensation in an amount to be fixed by the Budget Agency with the approval of the Governor.

Department of Indiana Heritage - Commissioner Compensation. If the Commissioner were classified as an ESM I (an Executive, Scientific, Medical classification), costs for the compensation and fringe benefits for the Commissioner would be approximately \$101,110 (with a salary of about \$77,450 and fringe benefits plus indirect costs of about \$22,160). If the Commissioner's compensation was comparable to the head of the Department of Natural Resources (DNR), costs for the Commissioner would equal approximately \$138,550, including fringe benefits. Additional costs would be incurred for office space if none is currently available.

Study of the Department of Indiana Heritage. The State Personnel Department and the State Budget Agency are to report to the Governor and the Legislative Council before October 1, 2009, on the transfer of responsibility of certain agencies to the newly established DIH. Expenses associated with developing this report will depend on administrative decisions.

Explanation of State Revenues: *Historic Site Fees:* The bill allows the Natural Resources Commission to establish admission fees for historic sites. This provision will result in administrative expenses for the DNR. Each site that is currently not collecting a fee would experience a one-time operational cost of approximately \$2,505. Total statewide one-time costs would equal \$21,620. This figure includes setup costs for cash registers, credit card machines, phone lines, etc. These additional operating costs will be paid from the Historic Site Fund, also established under this bill, which is comprised of fees that may be charged for admission to historic sites or sale of historical property.

The bill provides that the Natural Resources Commission may establish admission fees for historic sites. The bill provides that the Division of State Museums and Historic Sites is authorized to collect admission charges, fees, rent, and other user fees for the following:

- (1) The state museum and historic sites.

- (2) Restaurants and other facilities located at the state museum or historic sites.
- (3) Programs, lectures, classes, tours, and trips provided at the state museum or historic sites.

The Division may also sell merchandise and donate or exchange artifacts in the division's collection to or with a public or nonprofit museum or historical society. The amount of revenue that could be raised is indeterminable and would be based on actions of the Commission.

School group fees have already been established by the Commission at \$1 per student. At least 51% of the fees, or an estimated \$50,120, must be used for educational programs conducted at the historic site and for the maintenance and operation of the historic site. Revenue estimates for specific sites are listed below.

Admission fees provide the revenue source for 11 interpretation and program presenters. The revenues presented in the table below are based on 2007-08 attendance figures and on admission fees ranging from \$2.00 to \$4.50.

2007-2008 Revenue Generated by Admission Fees for Historic Sites and Operational Costs			
Site	2007-08 Revenue	51% of Revenue	2007-08 Operational Costs ****
Angel Mounds State Historic Site	\$14,485	\$7,388	\$47,017
Levi Coffin State Historic Site *	0	0	4,400
Corydon Capitol State Historic Site	5,510	2,810	20,150
Culbertson Mansion State Historic Site	4,297	2,191	20,318
Ernie Pyle State Historic Site	2,684	1,369	10,694
Gene Stratton Porter State Historic Site	3,710	1,892	27,200
Grissom State Historic State **	0	0	0
Lanier Mansion State Historic Site	24,168	12,326	44,481
Limberlost State Historic Site	5,923	3,021	12,100
New Harmony State Historic Site***	0	0	16,370
T. C. Steele State Historic Site	7,965	4,062	24,373
Vincennes State Historic Site	2,523	1,287	27,850
Whitewater Canal State Historic Site	<u>27,012</u>	<u>13,776</u>	<u>56,225</u>
Total	\$ 98,275	\$ 50,120	\$ 311,178
<p>* Levi Coffin State Historic Site was managed and staffed by Friends of Levi Coffin.</p> <p>**Grissom State Historic Site is owned, managed, and staffed by the Heritage Foundation. The Division presented a \$75,000 grant to the Heritage Foundation.</p> <p>*** Indiana State Museums and Historic Sites is in contract with University of Southern Indiana (USI). The Division manages the collections for both organizations, and USI manages the interpretation and guest services.</p> <p>**** Sectional marketing, training and security, grounds maintenance, and trash removal contract costs which are bid at a section level are not included in the costs.</p>			

Department of Indiana Heritage Fund: The bill also establishes the DIH Fund as a dedicated fund to provide

money for the DIH to carry out its duties. Money in the fund will consist of appropriations to the DIH, assets transferred to the DIH from other agencies whose duties are transferred to the DIH, proceeds from the sales of items by the DIH, gifts or proceeds of gifts donated to the DIH, and investment earnings of the fund.

Background Information on Operational Costs of the Historic Sites. In addition to the operating costs discussed in the table above, it should be noted that in 2005, DNR provided an estimate of \$1.0 M for historic sites. This included \$90,000 for real estate and liability lawyers expenses from the DNR Administration budget, and \$910,000 from the Division of Engineering and Division of State Parks budget for engineers and architectural services, earthworking equipment, and tree removal.

Also, there was approximately \$1.41 M in expense for state historic sites in the Indiana State Museum budget in FY 2005. Items included in the Indiana State Museum budget include DIOT asset charges, artifact curator and conservation services, and conservation laboratory and equipment costs.

The budget for FY 2009 included state General Fund appropriations of \$3.1 M for state historic sites and \$2.4 M for museums and historic sites. Capital projects in the budget included state General Fund appropriations for preventive maintenance of \$365,559, repair and restoration of \$4.5 M, and a project of \$430,000.

Explanation of Local Expenditures: *Indiana Bond Bank* The Indiana Bond Bank (IBB) and the Indiana Finance Authority (IFA) are financial entities created by the General Assembly that are public bodies corporate and politic, and separate from the state. To the extent that these entities are separate from the state, the bill would not have fiscal impact on state government. However, the IBB helps local units of government issue tax anticipation warrants and long-term debt, and acquire essential equipment. Therefore, benefits from management and market efficiencies that are achieved by the IBB affect costs to the local units. The costs or savings of any efficiencies provided by placing responsibility for bonding functions into a single state financial entity is indeterminable. The costs or savings of the proposal would be based to a certain extent on the reaction of the bond market to the changes made.

Explanation of Local Revenues:

State Agencies Affected: SPD; SBA; DNR; IFA, IBB, ISDH.

Local Agencies Affected:

Information Sources: K. McLary 1/12/07, DNR.

Fiscal Analyst: Karen Firestone, 317-234-2106; Bernadette Bartlett, 317-232-9586.